

(f) *Treatment of Class 9.* Interests in Class 9 will be canceled and the holders of Claims and Interests in Class 9 will not be entitled to receive or retain any property on account of such Claims and Interests, except that, in accordance with Section 4.2(B) of the Plan, Reorganized Communications will retain its Interests in Reorganized MCCA.

C. Conditions to Effective Date

Each of the following is a condition to the occurrence of the Effective Date set forth in Section 5.1 of the Plan:

1. That the Confirmation Order (which order shall be reasonably satisfactory to Arch and, as to the provisions relating to the treatment of Allowed Class 4 Claims, the Pre-Petition Agent) has been entered by the Bankruptcy Court, has become a Final Order (as defined in section 5.1 of the Merger Agreement), more than ten (10) days have elapsed since the Confirmation Date, no stay of the Confirmation Order is in effect and the Confirmation Order has not been reversed, modified or vacated;

2. That all conditions to the Closing under the Merger Agreement (other than the condition that the Effective Date shall have occurred) have been satisfied or waived by the party entitled thereto, and the Merger shall occur as contemplated by Section 4.2(B)(ii) of the Plan; and

3. That the commitments under the DIP Credit Agreement will have terminated, all amounts owing under or in respect of the DIP Credit Agreement will have been paid in full in cash and any outstanding letters of credit issued under and in connection with the DIP Credit Agreement or the 1995 Credit Agreement will have been terminated or satisfied, or the Debtors will have provided cash collateral therefor in accordance with the terms of the DIP Credit Agreement or the 1995 Credit Agreement, as applicable.

Section 5.2 of the Plan provides that if the Merger Agreement is terminated in accordance with its terms, then the Confirmation Order will be vacated by the Bankruptcy Court unless the Debtors, Arch or the Committee files a motion opposing the vacation of the Confirmation Order within ten Business Days after termination of the Merger Agreement. The Confirmation Order may not be vacated after all the conditions to the Effective Date have either occurred or been waived.

D. Means for Implementation of Plan

1. Implementation of the Plan.

As set forth in more detail herein and in the Plan, the Plan contemplates that the Reorganized Debtors will emerge from bankruptcy as subsidiaries of Arch that will continue the

business previously conducted by the Debtors prior to the Effective Date, and that holders of Allowed Claims will receive cash or equity securities of Arch or a combination thereof. The Plan contains the requisite elements required under, inter alia, section 1123 of the Code, including adequate means for the Plan's implementation under section 1123(a)(5) of the Code. Section 1123(a)(5)(c) lists a merger with one or more persons as an example of adequate means for a plan's implementation.

Section 4.1(A) of the Plan lists the actions that will occur prior to the Confirmation Date. Section 4.1(A)(1) of the Plan provides that pursuant to the Merger Agreement, Arch will commence the Rights Offering. Section 4.1(A)(2) of the Plan provides that each of the Standby Purchasers has executed the Standby Purchase Commitment, copies of which are attached to the Plan as Exhibits B-1 through B-6.

2. FCC and State Regulatory Approval.

As described in Sections II.A.8 and IV.F.2, effectiveness of the Plan is conditioned upon obtaining approval by the FCC of the Second Thursday Application on terms that do not impair the feasibility of the Plan and that permit the Plan to be implemented and consummated. This approval will permit the transfer of the Debtors' FCC licenses to the Reorganized Debtors, and the consummation of the transactions contemplated under the Plan and Merger Agreement.

3. Amendments to Certificates of Incorporation.

Section 4.2(C)(1) of the Plan provides that as of the Effective Date, each Reorganized Debtor's Certificate of Incorporation will comply with section 1123(a)(6) of the Code.

Section 4.2(C)(2) of the Plan provides that as of the Effective Date, the bylaws of Reorganized Communications will be the same as the bylaws of the Merger Subsidiary as in effect immediately prior to the Effective Date (except that the name of the corporation set forth therein will be changed to "MobileMedia Communications, Inc."), and the bylaws of Reorganized MCCA will be the same as the bylaws of Delaware Subsidiary Co. as in effect immediately prior to the Effective Date (except that the name of the corporation set forth therein will be changed to "Mobile Communications Corporation of America"). Each Reorganized Debtor's Bylaws will be effective as of the Effective Date.

Section 4.2(C)(4) of the Plan provides that after the Effective Date, each Reorganized Debtor's Certificate of Incorporation, each Reorganized Debtor's Bylaws and the officers and directors of each Reorganized Debtor will be subject to such amendments or changes as may be made by law, or by such Reorganized Debtor's Certificate of Incorporation or such Reorganized Debtor's Bylaws.

E. Agreements Between the Debtors and Various Third Parties

1. Distributions Occurring On and After the Effective Date.

(a) *Distributions to Holders of Allowed Class 4 Claims.* Section 4.3(A) of the Plan provides that the cash distribution to be made to the holders of Allowed Class 4 Claims will be made by wire transfer by Arch on the Effective Date or the first Business Day thereafter to the Pre-Petition Agent, which will, subject to the rights of the Pre-Petition Agent, if any, against the other holders of Allowed Class 4 Claims under the 1995 Credit Agreement, promptly transmit to each such holder its Pro Rata Share of the cash provided by Arch; provided, that, if requested by a Standby Purchaser in writing at least two days prior to the Effective Date, any cash to be distributed to the Standby Purchaser on account of such Standby Purchaser's Allowed Class 4 Claim will, in accordance with the instructions included in such written request, be applied on behalf of the Standby Purchaser first to the payment of any amounts required to be paid by such Standby Purchaser in accordance with its Standby Purchase Commitment.

(b) *Distributions to Holders of Dial Page Notes.*

(i) Exchange of Notes. Section 4.3(B)(1) of the Plan provides that the cash distribution to be made to the holders of Allowed Class 5 Claims will be made by Reorganized Communications to the Dial Page Indenture Trustee on the Effective Date or the first Business Day thereafter, which will, subject to the rights of such Dial Page Indenture Trustee as against holders of the Dial Page Notes under the Dial Page Indenture, transmit, upon surrender by a holder of its Dial Page Notes, the cash to which such holder is entitled under Section 2.7(C) of the Plan. The reasonable fees and expenses of the Dial Page Indenture Trustee incurred solely in connection with making such distributions, unless otherwise paid hereunder, will be paid by Reorganized Communications to the extent so required by the Dial Page Indenture or as otherwise agreed between Reorganized Communications, the Dial Page Indenture Trustee and Arch, and in any case subject to required approvals of the Bankruptcy Court, if any.

(ii) Lost Notes. Section 4.3(B)(2) of the Plan provides that if a holder of a Dial Page Note is unable to surrender such Note because it has been destroyed, lost or stolen, such holder may receive a distribution with respect to such Note upon request to the Dial Page Indenture Trustee in an acceptable form with: (1) proof of such holder's title to such Note; (2) proof of the destruction or theft of such Note, or an affidavit to the effect that the same has been lost and after diligent search cannot be found; and (3) such indemnification as may reasonably be required by the Reorganized Debtors to indemnify Arch, the Reorganized Debtors, the Dial Page Indenture Trustee and all other persons deemed appropriate by the Reorganized Debtors, against any loss, action, suit or other claim whatsoever that may be made as a result of such holder's receipt of a distribution on account of such Dial Page Note under the Plan.

(c) *Distributions from Arch.* Section 4.3(C) of the Plan provides that Arch will distribute to each holder of an Allowed Class 6 Claim and each Standby Purchaser that

exercised its Rights in accordance with the terms thereof (and, in the case of the Standby Purchasers, in accordance with the terms of the Standby Purchase Commitment), on the Effective Date, for each Right so exercised, the Arch Common Shares or Arch Class B Common Shares, as applicable, and Arch Warrants together comprising the Units subscribed for. Arch will distribute to each holder of an Allowed Class 6 Claim that was not Allowed as of the Rights Offering Supplemental Record Date, as soon as practicable after such Claim is Allowed (but no sooner than the Effective Date), its Cash Equivalent, as provided in Section 2.8(C)(1)(d) of the Plan. In the event the exercise of Rights and the purchase of the Units would cause (i) any "person" or "group" (as such terms are used in Section 13(d) and 14(d) of the Securities and Exchange Act of 1934), or (ii) the Standby Purchasers collectively, on the Effective Date, in the aggregate, to beneficially own, within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934 and Rule 13d-3 and 13d-5 promulgated thereunder (except that a Person shall be deemed to have beneficial ownership of all securities that such Person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), (a) more than 49.0% of the number of shares of the capital stock of Arch generally entitled to vote in the election of directors or (b) more than 49.0% of the total voting power of the capital stock of Arch, then, the "person" or "group" or the Standby Purchasers, will receive in lieu of the Arch Common Shares included in such Units, Arch Class B Common Shares such that (x) such "person" or "group" or (y) the Standby Purchasers collectively, on the Effective Date, in the aggregate, beneficially own, within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, and Rule 13d-3 and 13d-5 promulgated thereunder (except that a Person shall be deemed to have beneficial ownership of all securities that such Person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), (i) no more than 49.0% of the number of shares of the capital stock of Arch generally entitled to vote in the election of directors and (ii) no more than 49.0% of the total voting power of the capital stock of Arch on the Effective Date. For purposes of calculating the percentages referred to above, it will be assumed that no additional Class 6 Claims are Allowed after the Effective Date and all of the Arch Common Shares in the Creditor Stock Pool are distributed to the Allowed Class 6 Claims as of the Effective Date.

(d) *Distributions from the Exchange Agent.* Section 4.3(D) of the Plan provides that on the Effective Date, Arch will deliver to the Exchange Agent a certificate, in the name of the Exchange Agent, for the number of Arch Common Shares comprising the Creditor Stock Pool. Distributions to the holders of Allowed Class 6 Claims other than on account of the Rights, on the Effective Date and thereafter, will be made by the Exchange Agent on behalf of Reorganized Communications from the Arch Common Shares evidenced by the certificate so delivered by Arch.

(i) Holders of the Subordinated Notes. Section 4.3(D)(1) of the Plan provides that as soon as practicable after the Effective Date (except in the case of the Standby Purchasers, who will receive such distributions on the Effective Date as provided for in the Standby Purchase Commitments), Reorganized Communications will cause the Exchange Agent to send a notice and a transmittal form (which will specify that delivery will be effected and risk of loss and title to the Subordinated Notes will pass, only upon delivery of the Subordinated

Notes to the Exchange Agent, and will be in such form and have such other reasonable provisions as Arch may reasonably specify) to each holder of a Subordinated Note advising such holder of the effectiveness of the Merger and the Plan and the procedure for surrendering to the Exchange Agent such Subordinated Note in exchange for the Arch Common Shares issuable to it pursuant to Section 2.8(C) of the Plan.

Commencing on the Effective Date, the Exchange Agent will distribute to each holder of an Allowed Claim that constitutes a Subordinated Noteholder Claim, upon proper surrender of its Subordinated Notes, its Class 6 Pro Rata Share of the Creditor Stock Pool. Thereafter, on each Semi-Annual Distribution Date, distributions of a holder's Class 6 Pro Rata Share of the Creditor Stock Pool will be made to the holders of Allowed Class 6 Claims that constitute Subordinated Noteholder Claims who have surrendered their Subordinated Notes since the preceding Semi-Annual Distribution Date (or, with respect to the first Semi-Annual Distribution Date, since the Effective Date). Final distributions of Arch Common Shares will be made on the Final Distribution Date to each holder of an Allowed Class 6 Claim constituting a Subordinated Noteholder Claim based on its Class 6 Adjusted Pro Rata Share of the remaining shares in the Creditor Stock Pool (subject to Section 2.8(C)(1)(f) of the Plan).

In the event of a transfer of ownership of Subordinated Notes that is not registered on the transfer records of the indenture trustee for such Subordinated Notes, the securities to be distributed may be distributed to a transferee of the Subordinated Notes if certain requirements specified in Section 4.3(D)(1) of the Plan are satisfied. Moreover, after the Effective Date, there will be no further registration of transfers on the record books of Reorganized Communications of the Subordinated Notes outstanding prior to the Effective Date. If, after the Effective Date, the Subordinated Notes are presented to Reorganized Communications for any reason, they will be canceled and exchanged as provided in Section 4.3(D)(1) of the Plan.

If any Arch Common Shares are to be issued in the name of a person other than the person in whose name the Subordinated Note surrendered in exchange therefor is registered, it will be a condition to the issuance of such Arch Common Shares that (i) the Subordinated Note so surrendered will be transferable, and will be properly assigned and endorsed, (ii) such transfer will otherwise be proper and (iii) the person requesting such transfer will pay to the Exchange Agent any transfer or other taxes payable by reason of the foregoing or establish to the satisfaction of the Exchange Agent that such taxes have been paid or are not required to be paid. Notwithstanding the foregoing, neither the Exchange Agent nor any Person will be liable to a holder of Subordinated Notes for any Arch Common Shares issuable to such holder pursuant to Section 2.8(C) of the Plan that are delivered to a public official pursuant to applicable abandoned property, escheat or similar laws.

No dividends or other distributions that are payable to the holders of record of Arch Common Shares as of a date on or after the Effective Date will be paid to holders of Allowed Class 6 Claims entitled to receive Arch Common Shares pursuant to Section 2.8(C) of the Plan until such holders surrender their Subordinated Notes in accordance with Section

4.3(D)(1) of the Plan. Upon such surrender, Arch will pay or deliver to the persons in whose name the certificates representing such Arch Common Shares are issued any dividends or other distributions that have been paid or are payable to the holders of record of Arch Common Shares as of a date on or after the Effective Date and which were paid or delivered between the Effective Date and the time of such surrender; provided, that no such person will be entitled to receive any interest on such interest payments, dividends or other distributions.

If a holder of a Subordinated Note is unable to surrender such Note because it has been destroyed, lost or stolen, such holder may receive a distribution with respect to such Note upon request to the Exchange Agent in an acceptable form with: (i) proof of such holder's title to such Note; (ii) proof of the destruction or theft of such Note, or an affidavit to the effect that the same has been lost and after diligent search cannot be found; and (iii) such indemnification as may reasonably be required by the Reorganized Debtors to indemnify Arch, the Reorganized Debtors, the Exchange Agent and all other persons deemed appropriate by the Reorganized Debtors against any loss, action, suit or other claim whatsoever that may be made as a result of such holder's receipt of a distribution on account of such Subordinated Note under the Plan.

(ii) Holders of Allowed Class 6 Claims other than the Subordinated Noteholder Claims. Section 4.3(D)(2) of the Plan provides that on the Effective Date, the Exchange Agent will distribute to each holder of an Effective Date Allowed Claim other than a Subordinated Noteholder Claim its Class 6 Pro Rata Share of the Creditor Stock Pool. Thereafter, on each Semi-Annual Distribution Date, distributions of a holder's Class 6 Pro Rata Share of the Creditor Stock Pool will be made to each holder of a Class 6 Claim other than a Subordinated Noteholder Claim whose Claim has been Allowed (as certified by the Estate Representative to the Exchange Agent) since the preceding Semi-Annual Distribution Date (or, with respect to the first Semi-Annual Distribution Date, since the Effective Date). Final distributions of Arch Common Shares will be made on the Final Distribution Date to each holder of an Allowed Class 6 Claim other than a Subordinated Noteholder Claim based on its Class 6 Adjusted Pro Rata Share of any shares remaining in the Creditor Stock Pool (subject to Section 2.8(C)(1)(f) of the Plan).

(iii) Fractional Interests. Section 4.3(D)(3) of the Plan provides that the Arch Capital Shares will be issued and distributed in whole shares, and not in fractional shares. To the extent that any holder would be entitled to a fractional Arch Capital Share but for this provision, such holder will, at Arch's option, (i) be paid by Reorganized Communications cash in an amount equal to the fraction of said share multiplied by the price of an Arch Capital Share on the Effective Date, or (ii) receive the number of whole shares determined by rounding up to the next whole number of shares. Arch Warrants will be issued and distributed in whole units, and not in fractional units. To the extent that any holder would be entitled to a fractional Arch Warrant but for this provision, such holder will receive the number of whole warrants determined by rounding up to the next whole number of warrants. For purposes of Section 4.3(D) of the Plan, holders of Allowed Claims under or evidenced by the Notes will, in the case of Notes held in street name, mean the beneficial holders thereof.

(e) *Undeliverable Distributions*

(i) Method of Distribution. Section 4.3(E)(1) of the Plan provides that all property under the Plan to be distributed by mail will be sent to the latest mailing address filed of record with the Bankruptcy Court for the party entitled thereto or, if no such mailing address has been so filed, the mailing address reflected in the Schedules or, in the case of the holder of Notes, to the latest mailing address maintained of record by the pertinent indenture trustee or, if no mailing address is maintained of record, to the pertinent indenture trustee.

(ii) Holding and Investment of Undeliverable Distributions. Section 4.3(E)(2) of the Plan provides that if any Allowed Claim holder's distribution is returned to the Debtors, Reorganized Debtors, Arch or the Exchange Agent as undeliverable, no further distributions will be made to such holder unless the Debtors, Reorganized Debtors, Arch or the Exchange Agent, as applicable, are notified in writing of such holder's then-current address. Undeliverable distributions will remain in the possession of the Debtors, Reorganized Debtors, Arch or the Exchange Agent, as applicable, pursuant to Section 4.3(E)(2) of the Plan until such time as a distribution becomes deliverable. Undeliverable cash will be held in a segregated bank account in the name of the Reorganized Debtors for the benefit of the potential claimants of such funds and, until such time as such cash becomes property of Arch pursuant to Section 4.3(E)(4) of the Plan, such cash will not constitute property of the Arch. The Reorganized Debtors will invest any undeliverable cash in a manner consistent with the Reorganized Debtors' investment and deposit practices. Undeliverable shares of newly-issued Arch Common Shares will be held by the Exchange Agent for the benefit of the potential claimants of such securities until the expiration of the period set forth in Section 4.3(E)(4) of the Plan.

(iii) After Distributions Become Deliverable. Section 4.3(E)(3) of the Plan provides that on each Semi-Annual Distribution Date and on the Final Distribution Date, the Debtors, Reorganized Debtors, Arch or the Exchange Agent, as applicable, will make all distributions that have, prior to such date, become deliverable to holders of Allowed Claims. Each such distribution will include, to the extent applicable, dividends or other distributions, if any, that would have been paid in respect of the shares of Arch Common Shares or Arch Class B Common Shares distributed to such holder from the Effective Date through the date of such distribution (without any interest thereon).

(iv) Undistributed Property. Section 4.3(E)(4) of the Plan provides that any property that remains undeliverable to the holders of Allowed Claims as of the later of the Final Distribution Date and the date that is two years after the Effective Date will be delivered to, and become the property of, Arch.

(f) *Compliance with Tax Requirements*

(i) Section 4.3(F)(1) of the Plan provides that in connection with the Plan, to the extent applicable, the Reorganized Debtors will comply with all tax withholding and reporting requirements imposed on them by any governmental unit, and all distributions pursuant to the Plan that may be necessary or appropriate to comply with such withholding and reporting requirements.

(ii) Section 4.3(F)(2) of the Plan provides that notwithstanding any other provision of the Plan, each entity that has received any distribution pursuant to the Plan will have sole and exclusive responsibility for the satisfaction and payment of any tax obligation imposed by any governmental unit, including income, withholding and other tax obligations, on account of such distribution.

2. Continuation of Employment Agreements and Benefits Agreements.

Section 3.2(C) of the Plan provides that on the Effective Date, the Debtors will assume pursuant to sections 365 and 1123(b)(2) of the Code the employment and benefit agreements set forth on Schedule 1 to the Plan.

F. *Effect of Plan Confirmation*

1. Revesting of Assets.

Section 4.2(A) of the Plan provides that, except as provided in the Plan, all property of the estate, to the full extent of section 541 of the Code, and any and all other rights and assets of the Debtors of every kind and nature will, on the Effective Date of the Plan, revert in the Reorganized Debtors free and clear of all Liens, Claims and Interests other than those Liens, Claims and Interests retained or created pursuant to the Plan.

2. Discharge of Claims and Termination of Interests.

Section 6.1(A) of the Plan provides that except as provided in the Confirmation Order, the rights afforded under the Plan and the treatment of Claims and Interests under the Plan will be in exchange for and in complete satisfaction, discharge and release of all Claims and satisfaction or termination of all Interests, including any interest accrued on Claims from the Petition Date. Except as provided in the Plan or the Confirmation Order, Confirmation will, as of the Effective Date: (a) discharge the Debtors from all Claims or other debts that arose before the Effective Date, and all debts of the kind specified in sections 502(g), 502(h) or 502(i) of the Code, whether or not (i) a proof of claim based on such debt is filed or deemed filed pursuant to section 501 of the Code, (ii) a Claim based on such debt is allowed pursuant to section 502 of the Code, or (iii) the holder of a Claim based on such debt has accepted the Plan and (b) satisfy or terminate all Interests and other rights of equity security holders in the Debtors.

Section 6.1(B) of the Plan provides that as of the Effective Date, except as provided in the Plan or the Confirmation Order, all entities will be precluded from asserting against the Debtors or the Reorganized Debtors, or their respective successors or property, any other or further Claims, demands, debts, rights, causes of action, liabilities or equity interests based upon any act, omission, transaction or other activity of any kind or nature that occurred prior to the Effective Date. In accordance with the foregoing, except as provided in the Plan or the Confirmation Order, the Confirmation Order will be a judicial determination, as of the Effective Date, of discharge of all such Claims and other debts and liabilities against the Debtors and satisfaction or termination of all Interests and other rights of equity security holders in the Debtors, pursuant to sections 524 and 1141 of the Bankruptcy Code, and such discharge will void any judgment obtained against the Debtors or the Reorganized Debtors at any time, to the extent that such judgment relates to a discharged Claim.

3. Post-Consummation Effect of Evidences of Claims or Interests.

Notes, stock certificates and other evidence of Claims against or Interests in the Debtors will, effective upon the Effective Date, represent only the right to participate in the distributions contemplated by the Plan.

4. Term of Injunctions or Stays.

Section 6.2(A) of the Plan provides that except as provided in the Plan or the Confirmation Order, as of the Effective Date, all entities that have held, currently hold or may hold a Claim or other debt or liability that is discharged or an Interest or other right of an equity security holder that is terminated pursuant to the terms of the Plan are permanently enjoined from taking any of the following actions on account of any such discharged Claims, debts or liabilities or terminated Interests or rights: (a) commencing or continuing in any manner any action or other proceeding against the Debtors or the Reorganized Debtors or Arch or its subsidiaries or their respective property; (b) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order against the Debtors or the Reorganized Debtors or Arch or its subsidiaries or their respective property; (c) creating, perfecting or enforcing any lien or encumbrance against the Debtors or the Reorganized Debtors or Arch or its subsidiaries or their respective property; (d) asserting a setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation due to the Debtors or the Reorganized Debtors or Arch or its subsidiaries or their respective property; and (e) commencing or continuing any action, in any manner, in any place that does not comply with or is inconsistent with the provisions of the Plan.

Section 6.2(B) of the Plan provides that as of the Effective Date, all entities that have held, currently hold or may hold a claim, demand, debt, right, cause of action or liability that is released pursuant to the Plan are permanently enjoined from taking any of the following actions on account of such released claims, demands, debts, rights, causes of action or liabilities: (a) commencing or continuing in any manner any action or other proceeding; (b) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order; (c) creating,

perfecting or enforcing any lien or encumbrance; (d) asserting a setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation due to any released entity; and (e) commencing or continuing any action, in any manner, in any place that does not comply with or is inconsistent with the provisions of the Plan.

Section 6.2(C) of the Plan provides that by accepting a distribution pursuant to the Plan, each holder of an Allowed Claim receiving such distribution pursuant to the Plan will be deemed to have specifically consented to the injunctions set forth in Section 6.2 of the Plan.

G. Executory Contracts and Unexpired Leases

Article III of the Plan provides for assumption or rejection of the Debtors' executory contracts and unexpired leases not assumed or rejected prior to the Confirmation Date.

1. Rejected Contracts

Section 3.1 of the Plan provides that no later than 25 days prior to the Voting Deadline, the Debtors, at the direction of Arch, will prepare a schedule of the executory contracts and unexpired leases to be rejected on the Effective Date (the "Rejection Schedule"). The Rejection Schedule will be filed and served on each party to an executory contract or unexpired lease listed thereon to be rejected by the Debtors no later than twenty days prior to the Voting Deadline. Any claims for damages arising from the rejection of an executory contract or unexpired lease listed on the Rejection Schedule must be filed by the Voting Deadline and will be determined, if necessary, at Confirmation. The Rejection Schedule may be amended from and after the Confirmation Date for sixty days thereafter (but in no event after the Effective Date) by the Debtors at the direction of Arch and with notice to any party to an executory contract or unexpired lease added to or removed from such schedule. Any claims for damages arising from the rejection of an executory contract or unexpired lease rejected after the Confirmation Date pursuant to Section 3.1 of the Plan must be filed within 20 days after receipt of notice of rejection of such contract. Any such Claims not filed within the applicable 20-day period will be barred and may not thereafter be asserted.

2. Assumed Contracts

Section 3.2(A) of the Plan provides that each executory contract or unexpired lease of the Debtors that has not expired by its own terms prior to the Effective Date, has not been rejected during the Cases prior to Confirmation, is not subject to a notice of rejection and is not rejected under the Plan will, by the terms of the Plan, be assumed by Reorganized MCCA pursuant to sections 365 and 1123(b)(2) of the Code on the Effective Date. All such assumed contracts, unexpired leases, franchises and permits, and any contracts or unexpired leases assumed by the Debtors by order of the Bankruptcy Court prior to the Confirmation Date, will be vested in and continue in effect for the benefit of the Reorganized Debtors.

Section 3.2(B) of the Plan provides that the Debtors will, at least twenty days prior to the Voting Deadline, file and serve on all parties to executory contracts and unexpired leases to be assumed as of the Effective Date, and on the Pre-Petition Agent, the Committee and Arch, a schedule setting forth the amount of cure and compensation payments to be provided by the Reorganized Debtors in accordance with section 365(b)(1) of the Code, which schedule will be acceptable to Arch. Objections to any such proposed cure payment must be made by the Voting Deadline, and will be determined, if necessary, at the Confirmation Hearing. In the event the Debtors amend the Rejection Schedule pursuant to Section 3.1 of the Plan after the Confirmation Date to remove an executory contract or unexpired lease therefrom, the Debtors will, within five days after such amendment to the Rejection Schedule, file and serve on all parties to executory contracts and unexpired leases to be assumed as a result of any such Schedule amendment, and on the Pre-Petition Agent, the Committee and Arch, a supplemental schedule setting forth the amount of cure and compensation payments to be provided by the Reorganized Debtors in accordance with section 365(b)(1) of the Code, which supplemental schedule of cure payments will be reasonably acceptable to Arch. Objections to any proposed cure payment set forth in the supplemental schedule must be made within 20 days after receipt thereof. A party to an assumed executory contract or unexpired lease that has not filed an appropriate pleading with the Bankruptcy Court on or before the applicable 20-day period will be deemed to have waived its right to dispute such amount. All unpaid cure and compensation payments under any executory contracts or unexpired leases that are assumed or assumed and assigned under the Plan (including, without limitation, Claims filed in the Cases or listed in the Schedules and Allowed by order of the Bankruptcy Court prior to the Confirmation Date that relate to executory contracts or unexpired leases that are assumed or assumed and assigned under the Plan) will be made by the Reorganized Debtors as soon as practicable after the Effective Date, but not later than thirty days after the Effective Date; provided, that, in the event of a dispute regarding the amount of any cure and compensation payments, the Reorganized Debtors will make such cure and compensation payments as may be required by section 365(b)(1) of the Code following the entry of a Final Order resolving such dispute.

3. Post-Petition Contracts and Leases.

Section 3.3 of the Plan provides that all contracts and leases entered into or assumed by the Debtors after the Petition Date, including (a) the Tower Sale Agreement and (b) the Master Lease between Communications and Pinnacle Towers Inc. to be entered into pursuant to the Tower Sale Agreement, but excluding the DIP Credit Agreement, will be deemed assigned by the Debtors to Reorganized MCCA on the Effective Date.

H. Other Plan Provisions

1. Management and Operation of the Debtors.

Section 4.1(B)(1) of the Plan provides that after the Confirmation Date and until the Effective Date, the Debtors will be managed by substantially the same personnel that managed

and operated the Debtors on the Confirmation Date, subject to such changes as may be determined by the Board of Directors of a Debtor in accordance with the Bylaws and Articles or Certificate of Incorporation of such Debtor. During such period, the Debtors will: (a) conduct their business in the usual, regular and ordinary course, in a manner consistent with past practice, sound business practice and the terms of the Plan and the Merger Agreement, and subject to their obligations as debtors-in-possession pursuant to the Code; (b) use their best efforts to preserve intact their respective business organizations and goodwill, keep available the services of their key employees and preserve the goodwill and business relationships with suppliers, distributors, customers and others with whom they have business relationships; (c) take no actions inconsistent with the Plan; (d) use their best efforts to satisfy the conditions to the effectiveness of the Plan; and (e) make cash payments, and otherwise conduct cash management, in the ordinary course of their business and in a manner consistent with the terms of the Plan.

2. Estate Representative.

Section 4.2(C)(5) of the Plan provides that within 15 days after the Confirmation Date, the Committee will designate a person, subject to Arch's and the Debtors' consent (which consent will not be unreasonably withheld) (the "Estate Representative"), who will be responsible for the winding up of the Debtors' estates after the Effective Date. The Estate Representative will have the authority to hire counsel and other advisors, to prosecute and settle Disputed Claims, to oversee distributions by the Exchange Agent, to pursue any preserved Causes of Action and otherwise to effect the closing of the Cases. The Estate Representative will be reimbursed for all reasonable expenses incurred in the performance of his or her duties as Estate Representative by Arch based on a monthly budget to be submitted to Arch no later than ten Business Days prior to the end of each month after the Effective Date for the succeeding month, which budget will set forth in reasonable detail the proposed activities to be undertaken by the Estate Representative during such month and the estimated costs and expenses therefor. If Arch does not object to such budget within five Business Days after receipt thereof, it will be the final budget for such month. At least once every calendar quarter, the Estate Representative will report to Arch on the material activities taken in the prior quarter and to be taken in the succeeding quarter, which activities will be reasonably acceptable to Arch.

3. Continuation of Committee.

Section 4.1(B)(2) of the Plan provides that the Committee will continue to exist after the Confirmation Date until the Effective Date with the same power and authority, and the same ability to retain and compensate professionals, as it had prior to the Confirmation Date, and will be dissolved on the Effective Date.

4. Rights of Creditors and Committee.

Section 4.1(B)(3) of the Plan provides that between the Confirmation Date and the Effective Date, the Committee, the holders of Claims against and Interests in the Debtors and the

indenture trustees for the Notes will be parties-in-interest in all proceedings in the Bankruptcy Court with the same rights to participate in such proceedings as such persons had prior to Confirmation.

5. Termination of Subordination Rights and Settlement of Related Claims and Controversies.

Section 6.3(A) of the Plan provides that the classification and manner of satisfying all Claims and Interests under the Plan takes into consideration all contractual, legal and equitable subordination and turnover rights, whether arising under general principles of equitable subordination, section 510(c) of the Code or otherwise, that a holder of a Claim or Interest or the Debtors may have against other Claim holders with respect to any distribution made pursuant to the Plan. On the Effective Date, all contractual, legal, equitable subordination and turnover rights that a holder of a Claim or Interest or the Debtors may have with respect to any distribution to be made pursuant to the Plan will be discharged and terminated, and all actions related to the enforcement of such subordination rights will be permanently enjoined. Accordingly, distributions pursuant to the Plan to holders of Allowed Claims will not be subject to payment to a beneficiary of such terminated subordination rights, or to levy, garnishment, attachment or other legal process by a beneficiary of such terminated subordination rights.

Section 6.3(B) of the Plan provides that pursuant to Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided under the Plan, the provisions of the Plan will constitute a good faith compromise and settlement of all claims or controversies relating to the enforcement or termination of all contractual, legal and equitable subordination and turnover rights that a holder of a Claim or Interest or the Debtors may have with respect to any Allowed Claim or Interest, or any distribution to be made pursuant to the Plan on account of such Claim. The entry of the Confirmation Order will constitute the Bankruptcy Court's approval of the compromise or settlement of all such claims or controversies and the Bankruptcy Court's finding that such compromise or settlement is in the best interests of the Debtors and the Reorganized Debtors and their respective property and Claim and Interest holders, and is fair, equitable and reasonable.

6. Cancellation of Stock.

Section 4.2(D) of the Plan provides that on and as of the Effective Date, the Common Stock, and each share of capital stock of each Debtor other than MobileMedia not owned, beneficially and of record, by MobileMedia or one of the other Debtors, will be canceled and rendered null and void.

7. Sale of Rights Reserve.

Section 4.1(B)(5) of the Plan provides that Arch will select an agent independent of Arch (as such term is defined in Regulation M promulgated under the Securities Exchange Act

of 1934), which independent agent will be reasonably acceptable to the Debtors and the Committee, to sell Rights from the Rights Reserve in the over-the-counter market on a date or dates no more than five business days in advance of the Rights Offering Expiration Date. All proceeds derived from such sale will be distributed to Arch.

8. Release of Security Interests.

Section 4.11 of the Plan provides that within ten Business Days after the Confirmation Date, the Pre-Petition Agent will deliver to Communications UCC-3 termination statements and such other documents as are reasonably requested by Communications to evidence the termination of the security interests granted to the Pre-Petition Agent to secure amounts outstanding under the 1995 Credit Agreement, which statements and other documents will be held by Communications in escrow and released for filing only upon receipt by the Pre-Petition Agent of the distribution provided for in Section 4.3(A) of the Plan.

9. Retention and Enforcement of Causes of Action.

Section 7.2 of the Plan provides that pursuant to section 1123(b)(3)(B) of the Code, but subject to Sections 7.3 and 7.4 of the Plan, the Reorganized Debtors, on behalf of themselves and holders of Allowed Claims and Interests, will retain all Causes of Action that the Debtors had or had power to assert immediately prior to the Effective Date, and may commence or continue in any appropriate court or tribunal any suit or other proceeding for the enforcement of such Causes of Action. All Causes of Action will remain the property of the Reorganized Debtors. Nothing contained in the Plan will constitute a waiver of the rights, if any, of the Debtors or the Reorganized Debtors to a jury trial with respect to any Cause of Action or objection to any Claim or Interest.

10. Limitation of Liability.

Section 7.3 of the Plan provides that none of the Debtors, the Reorganized Debtors, Arch or any affiliate thereof, the Committee, the Pre-Petition Agent, the Pre-Petition Lenders, the DIP Agent, the DIP Lenders, the Standby Purchasers, the indenture trustees for the Notes, Arch's financing sources, nor any of their respective officers, directors, employees, members, agents, underwriters or investment bankers, nor any other professional Persons employed by any of them (collectively, the "Exculpated Persons"), will have or incur any liability to any Person for any act taken or omission made in good faith in connection with or related to formulating, negotiating, implementing, confirming or consummating the Plan, the Disclosure Statement or any contract, instrument, release or other agreement or document created in connection with the Plan. The Exculpated Persons will have no liability to any Debtor, holder of a Claim, holder of an Interest, other party in interest in the Cases or any other Person for actions taken or not taken under the Plan, in connection herewith or with respect hereto, or arising out of their administration of the Plan or the property to be distributed under the Plan, in good faith, including, without limitation, failure to obtain Confirmation of the Plan or to satisfy any condition

or conditions, or refusal to waive any condition or conditions, to the occurrence of the Effective Date, and in all respects such Exculpated Persons will be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan.

11. Releases.

Section 7.4(A) of the Plan provides that on the Effective Date, the Reorganized Debtors, on their own behalf and as representatives of the Debtors' estates, in consideration of services rendered in the Cases and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, release unconditionally, and are deemed to release unconditionally, each of the Debtors' (a) present officers and directors, (b) former officers and directors (other than those former officers and directors considered or determined as of the Effective Date by the FCC to be alleged or actual wrongdoers for purposes of the Debtors' FCC Proceeding), (c) the entities that elected such directors to the extent they are or may be liable for the actions or inactions of such directors and (d) their respective professional advisers (collectively, the "Officer and Director Releasees"), from any and all claims, obligations, suits, judgments, damages, rights, causes of action and liabilities whatsoever (including, without limitation, those arising under the Code), whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise, based in whole or in part on any act, omission, transaction, event or other occurrence taking place before, on or after the Petition Date up to the Effective Date, in any way relating to the Debtors (before, on or after the Petition Date), the Cases or the Plan (collectively, the "Released Matters"); provided, that the foregoing release will not apply to any action or omission that constitutes actual fraud or criminal behavior; and provided, further, that such release will not be granted to any Officer or Director Releasee who has a Disputed Claim as of the Effective Date.

Section 7.4(B) of the Plan provides that on the Effective Date, the Reorganized Debtors, on their own behalf and as representatives of the Debtors' estates, in consideration of services rendered in the Cases and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, release unconditionally, and are deemed to release unconditionally, each of (a) the Pre-Petition Lenders, the Pre-Petition Agent, the DIP Lenders and the DIP Agent and (b) their respective professional advisers (collectively, the "Lender Releasees"), from the Released Matters; provided, that the foregoing release will not apply to any action or omission that constitutes actual fraud or criminal behavior.

Section 7.4(C) of the Plan provides that on the Effective Date, the Reorganized Debtors, on their own behalf and as representatives of the Debtors' estates, in consideration of services rendered in the Cases and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, release unconditionally, and are deemed to release unconditionally, (a) each member of the Committee, the Committee and their respective present or former members, officers, directors, employees, affiliates, advisors, attorneys or agents (collectively, the "Representatives"), (b) the Standby Purchasers and their Representatives, and (c) their respective professional advisers (collectively, the "Creditor Releasees"), from the Released

Matters; provided, that the foregoing release will not apply to any action or omission that constitutes actual fraud or criminal behavior.

Section 7.4(D) of the Plan provides that on the Effective Date, the Reorganized Debtors, on their own behalf and as representatives of the Debtors' estates, in consideration of services rendered in the Cases and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, release unconditionally, and are deemed to release unconditionally, Arch, any affiliate of Arch, or Arch's financing sources, agents, underwriters and investment bankers and their respective professional advisers (collectively, the "Arch Releasees") from the Released Matters; provided, that the foregoing release will not apply to any action or omission that constitutes actual fraud or criminal behavior.

Section 7.4(E) of the Plan provides that on the Effective Date, Arch and its subsidiaries will be deemed to have unconditionally released the Officer and Director Releasees, the Lender Releasees and the Creditor Releasees from the Released Matters; provided, that the foregoing release will not apply to any action or omission that constitutes actual fraud or criminal behavior; and provided, further, that such release shall not be granted to any Officer or Director Releasee who has a Disputed Claim as of the Effective Date.

Section 7.4(F) of the Plan provides that on the Effective Date, each holder of a Claim that is entitled to vote on the Plan will be deemed to have unconditionally released the Officer and Director Releasees, the Lender Releasees, the Creditor Releasees and the Arch Releasees from the Released Matters; provided, that the foregoing release will not apply to any action or omission that constitutes actual fraud or criminal behavior and will not constitute a release of any recovery such holder would be entitled to as a plaintiff or putative plaintiff in the Securities Actions or any action initiated after the date hereof based upon similar factual allegations or alleging similar causes of action to the Securities Actions; and provided, further, that a holder (other than Arch) may elect, by checking the appropriate box or boxes provided on the Ballot, not to grant such release as to the Officer and Director Releasees, the Lender Releasees, the Creditor Releasees or the Arch Releasees, or all of them.

Section 7.4(G) of the Plan provides that the Confirmation Order will contain a permanent injunction to effectuate the releases granted in Sections 7.4(A), (B), (C), (D), (E) and (F) of the Plan and that any release granted pursuant to Sections 7.4(A), (B), (C), (D), (E) and (F) of the Plan will be ineffective and null and void automatically and immediately upon the assertion by any released party of any claim in any manner or in any forum against any party that granted the release, and that all Causes of Action that the Debtors had or had the power to assert immediately prior to the Effective Date with respect to any such party will be preserved and become the property of the Reorganized Debtors pursuant to Section 7.2 of the Plan.

12. Indemnification Obligations, Directors' and Officers' Liability Insurance.

Section 7.5(A) of the Plan provides that Director Indemnification Obligations and Excluded Indemnification Obligations will be deemed to be, and will be treated as if they are, executory contracts that are rejected pursuant to section 365 of the Code. Any Claims arising out of the rejection of the Indemnification Obligations pursuant to Section 7.5(A) of the Plan will be subordinated in full under sections 510(b) and 510(c) of the Code.

Section 7.5(B) of the Plan provides that Benefit Plan Indemnification Obligations and Indemnification Obligations with respect to officers and employees who are officers and employees of the Debtors as of the Effective Date (other than Excluded Indemnification Obligations) will be deemed to be, and will be treated as though they are, executory contracts that are assumed agreements under the Plan and such obligations (subject to any defenses thereto) will remain unaffected and will not be discharged or impaired hereby, and any Claim for reimbursement, contribution or indemnification filed by any such party will not be an Allowed Claim hereunder; provided, that the foregoing assumption will not affect any release of any such obligation given in writing to the Debtors before the Effective Date or to the Reorganized Debtors on or after the Effective Date or any other releases under Section 7.4 of the Plan.

Section 7.5(C) of the Plan provides that on the Effective Date, the Reorganized Debtors will purchase a "run-off" policy for the Debtors' current and former directors and officers (other than those former officers and directors considered or determined as of the Effective Date by the FCC to be alleged or actual wrongdoers for purposes of the Debtors' FCC Proceeding), which policy will provide for aggregate coverage up to \$40 million (or such lesser amount as can be purchased for a premium of \$750,000) for claims made during a period of at least three (3) years following the Effective Date based on alleged "wrongful acts" through the Effective Date, and will contain such other usual and customary terms and conditions as are approved by the Board of Directors of MobileMedia.

Section 7.5(D) of the Plan provides that as of the Effective Date, Arch will make available up to an aggregate amount of \$1,000,000 (the "Defense Fund") to be used by present and former officers and directors (other than those former officers and directors considered or determined as of the Effective Date by the FCC to be alleged or actual wrongdoers for purposes of the FCC Proceeding) of the Debtors solely for the costs and expenses (including reasonable attorneys' fees and expenses) of defending the Securities Actions not otherwise covered by the Debtors' insurance. The Defense Fund is being provided by Arch at its election and not in exchange for any Claim or Interest by any officer or director. Provision of the Defense Fund hereunder will not negate, constitute a waiver or modification of or otherwise impair the discharge of the Debtors and the Reorganized Debtors under sections 524 and 1141 of the Code and the Plan. As a condition to any officer or director obtaining amounts from the Defense Fund, such officer or director will deliver to Arch, at Arch's request, a release, in form and substance reasonably acceptable to Arch, confirming the unconditional release and discharge of the Arch Releasees and the Reorganized Debtors from the Released Matters. Any officer or director will

be required to reimburse Arch for any amounts obtained from the Defense Fund that are subsequently covered by insurance.

13. Terms Binding.

Section 7.6 of the Plan provides that upon the entry of the Confirmation Order, all provisions of the Plan, including all agreements, instruments and other documents filed in connection with the Plan and executed by the Debtors, Arch or the Reorganized Debtors in connection with the Plan, will be binding upon the Debtors, Arch, the Reorganized Debtors, all Claim and Interest holders and all other entities that are affected in any manner by the Plan. All agreements, instruments and other documents filed in connection with the Plan will have full force and effect, and will bind all parties thereto as of the entry of the Confirmation Order, whether or not such exhibits actually will be executed by parties other than the Debtors or the Reorganized Debtors, or will be issued, delivered or recorded on the Effective Date or thereafter.

14. Effectuating Documents, Further Transactions, Exemptions from Certain Transfer Taxes.

Section 4.10 of the Plan provides that the Chief Executive Officer, President, Chief Financial Officer or any Vice President of Reorganized Communications or the Debtors, or such other persons as the Bankruptcy Court may designate at the request of the Debtors, will be authorized to execute, deliver, file or record such contracts, instruments, releases, indentures and other agreements or documents and take such actions as may be necessary or appropriate to effectuate and implement the provisions of the Plan. The Secretary or any Assistant Secretary of each Debtor or the Reorganized Debtors or such other persons as the Bankruptcy Court may designate at the request of the Debtors will be authorized to certify or attest to any of the foregoing actions.

Pursuant to section 1146(c) of the Code (a) the issuance, transfer or exchange of Arch Capital Shares, (b) the creation of any mortgage deed or trust or other security interest and (c) the making of any agreement or instrument in furtherance of, or in connection with, the Plan, including any merger agreements, agreements of consolidation, restructuring, disposition, liquidation or dissolution, deeds, bills of sale or assignments executed in connection with the Merger Agreement, will not be subject to any stamp, real estate transfer tax or similar tax.

15. Additional Terms of Securities and Other Instruments.

Any modification of the Merger Agreement, the Arch Warrants, Arch Common Shares and Arch Class B Common Shares, and all other securities or agreements issued or entered into pursuant to the Plan after the Voting Deadline, will be treated as a Plan modification and will be governed by section 1127 of the Code.

16. Payment Dates.

Whenever any payment to be made under the Plan is due on a day other than a Business Day, such payment instead will be made, without interest, on the next succeeding Business Day.

17. Successors and Assigns.

The rights, benefits and obligations of any person named or referred to in the Plan will be binding upon, and will inure to the benefit of, the heir, executor, administrator, successor or assignee of such person.

18. Compliance with Law: Governing Law.

It is intended that the provisions of the Plan (including the implementation thereof) will be in compliance with applicable law, including, without limitation, the Code, the Delaware General Corporation Law, as amended, the Communications Act of 1934, as amended, the Securities Act of 1933, as amended, and the HSR Act, as well as, in each case, any rules and regulations promulgated thereunder. If the Debtors conclude that the Plan may not comply with any of the foregoing, then and in such event the Debtors intend to amend the Plan in such respects as they deem necessary to bring the Plan into compliance therewith. In addition, except to the extent that the Code or any other federal law is applicable or to the extent the law of a different jurisdiction is validly elected by the Debtors, the rights, duties and obligations arising under the Plan will be governed in accordance with the substantive laws of the United States of America and, to the extent federal law is not applicable, the laws of the State of Delaware.

19. Severability.

If the Bankruptcy Court determines at the Confirmation Hearing that any material provision of the Plan is invalid or unenforceable, such provision, to the extent the Debtors, Arch and the Committee agree, but subject to section 1127 of the Code, will be severable from this Plan and null and void, and, in such event, such determination will in no way limit or affect the enforceability or operative effect of any or all other portions of the Plan.

I. Ownership and Resale of Plan Securities; Exemption From Securities Laws

Holders of Allowed Class 6 Claims will receive (a) Arch Common Shares (the "Arch Plan Shares") and (b) assuming such Class 6 Claims are allowed as of the Rights Offering Supplemental Record Date, Rights. Each Right will entitle the holder thereof to purchase one Unit.¹⁶ Each Unit is comprised of one Arch Common Share (as described above, certain large

¹⁶ As noted above, if fewer than all of the holders of Allowed Class 6 Claims exercise the Rights,
(continued...)

holders may receive Arch Class B Common Shares in lieu of Arch Common Shares in the event certain ownership thresholds are exceeded) and 0.____ of an Arch Warrant.¹⁷ In addition, as consideration for entering into Standby Purchase Commitments, the Standby Purchasers will receive Arch Warrants, which will enable them to purchase, in the aggregate, 2.5% of the issued and outstanding Arch Capital Shares computed on a Fully Diluted Basis on the date the "Buyer Market Price" is determined in accordance with Schedule II to the Merger Agreement giving effect to the Plan as if the Effective Date had occurred on such date and assuming 21,067,110 shares of Existing Arch Common Stock are issued and outstanding immediately prior thereto.

The Debtors believe that the provisions of section 1145(a)(1) of the Code exempt the offer and distribution of the Arch Plan Shares from federal and state securities registration requirements. Arch has filed a registration statement with the SEC with respect to (a) the Rights, (b) the Arch Common Shares, the Arch Class B Common Shares and the Arch Warrants issuable upon exercise of the Rights or the Units issuable upon such exercise consisting of such Arch Common Shares or Arch Class B Common Shares and such Arch Warrants, and (c) the Arch Common Shares issuable upon exercise of such Arch Warrants and certain other Arch Warrants issued in connection with the Plan.

1. Bankruptcy Code Exemption From Registration Requirements.

(a) *Initial Offer and Sale of Plan Securities.* Section 1145(a)(1) of the Code exempts the offer and sale of securities under a plan of reorganization from registration under the Securities Act and state laws if three principal requirements are satisfied: (i) the securities must be offered and sold under a plan of reorganization and must be securities of the debtor, of an affiliate participating in a joint plan with the debtor or of a successor to the debtor under the plan; (ii) the recipient of the securities must hold a pre-petition or administrative claim against, or an interest in, the debtor; and (iii) the securities must be issued entirely in exchange for the recipient's claim against or interest in the debtor, or principally in such exchange and partly for cash or property. The Debtors believe that the offer of the Arch Plan Shares satisfies the requirements of section 1145(a)(1) of the Code and is, therefore, exempt from registration under the Securities Act and state securities laws.

¹⁶ (...continued)

certain Standby Investors have committed to purchase the common stock and warrants not otherwise purchased in connection with the Rights

¹⁷ The fraction of an Arch Warrant that will be included in each Unit will equal the fraction obtained by dividing (i) the total number of Arch Warrants purchasable upon exercise of Rights by (ii) the total number of Arch Capital Shares purchasable upon exercise of Rights (which will be determined prior to soliciting votes on this Plan based on the pricing mechanism set forth in Schedule II to the Merger Agreement)

(b) *Subsequent Transfers of Plan Securities.* In general, all resales and subsequent transactions in the Arch Plan Shares will be exempt from registration under the Securities Act pursuant to section 4(1) of the Securities Act, unless the holder thereof is deemed to be an "underwriter" with respect to such securities, an "affiliate" of the issuer of such securities or a "dealer". Section 1145(b) of the Code defines four types of "underwriters":

- (i) persons who purchase a claim against, an interest in or a claim for administrative expense against the debtor with a view to distributing any security received in exchange for such a claim or interest ("accumulators");
- (ii) persons who offer to sell securities offered under a plan for the holders of such securities ("distributors");
- (iii) persons who offer to buy securities offered under a plan from the holders of such securities, if the offer to buy is (x) with a view to distributing such securities and (y) made under a distribution agreement; or
- (iv) a person who is an "issuer" with respect to the securities, as the term "issuer" is defined in section 2(11) of the Securities Act.

Under section 2(11) of the Securities Act, an "issuer" includes any "affiliate" of the issuer, which means any person directly or indirectly through one or more intermediaries controlling, controlled by or under common control with the issuer. Under section 2(12) of the Securities Act, a "dealer" is any person who engages either for all or part of his or her time, directly or indirectly, as agent, broker or principal, in the business of offering, buying, selling or otherwise dealing or trading in securities issued by another person. Whether or not any particular person would be deemed to be an "underwriter" or an "affiliate" with respect to the Arch Plan Shares or to be a "dealer" would depend upon various facts and circumstances applicable to that person. Accordingly, the Debtors express no view as to whether any person would be an "underwriter" or an "affiliate" with respect to the Arch Plan Shares or would be a "dealer".

The SEC has taken the position that resales by accumulators and distributors of securities distributed under a plan of reorganization who are not affiliates of the issuer of such securities are exempt from registration under the Securities Act if effected in "ordinary trading transactions". The staff of the SEC has indicated in this context that a transaction by such non-affiliates may be considered an "ordinary trading transaction" if it is made on an exchange or in the over-the-counter market and does not involve any of the following factors:

- (i) (x) concerted action by the recipients of securities issued under a plan in connection with the sale of such securities or (y) concerted

action by distributors on behalf of one or more such recipients in connection with such sales;

- (ii) the use of informational documents concerning the offering of the securities prepared or used to assist in the resale of such securities, other than a bankruptcy court-approved disclosure statement and supplements thereto, and documents filed with the SEC pursuant to the Exchange Act; or
- (iii) the payment of special compensation to brokers and dealers in connection with the sale of such securities designed as a special incentive to the resale of such securities (other than the compensation that would be paid pursuant to arm's-length negotiations between a seller and a broker or dealer, each acting unilaterally, not greater than the compensation that would be paid for a routine similar-sized sale of similar securities of a similar issuer).

The views of the SEC on the matter have not, however, been sought by the Debtors and, therefore, no assurance can be given regarding the proper application of the "ordinary trading transaction" exemption described above. Any person intending to rely on such exemption is urged to consult his or her own counsel as to the applicability thereof to his or her circumstances.

Securities Act Rule 144 provides an exemption from registration under the Securities Act for certain limited public resales of unrestricted securities by "affiliates" of the issuer of such securities. Rule 144 allows a holder of unrestricted securities that is an affiliate of the issuer of such securities to sell, without registration, within any three-month period a number of shares of such unrestricted securities that does not exceed the greater of one percent (1%) of the number of outstanding securities in question or the average weekly trading volume in the securities in question during the four calendar weeks preceding the date on which notice of such sale was filed pursuant to Rule 144, subject to the satisfaction of certain other requirements of Rule 144 regarding the manner of sale, notice requirements and the availability of current public information regarding the issuer. The Debtors believe that, pursuant to section 1145(c) of the Code, the unregistered securities being distributed under and in connection with the Plan will be unrestricted securities for purposes of Rule 144.

GIVEN THE COMPLEX NATURE OF THE QUESTION OF WHETHER A PARTICULAR PERSON MAY BE AN UNDERWRITER, THE DEBTORS MAKE NO REPRESENTATIONS CONCERNING THE RIGHT OF ANY PERSON TO TRADE IN THE ARCH PLAN SHARES. THE DEBTORS RECOMMEND THAT HOLDERS OF CLAIMS CONSULT THEIR OWN COUNSEL CONCERNING WHETHER THEY MAY FREELY TRADE SUCH SECURITIES.

State securities laws generally provide registration exemptions for subsequent transfers by a bona fide owner for his or her own account and subsequent transfers to institutional or accredited investors. Such exemptions are generally expected to be available for subsequent transfers of the Arch Plan Shares.

(c) *Certain Transactions by Stockbrokers.* Under section 1145(a)(4) of the Code, stockbrokers effecting transactions in the Arch Plan Shares prior to the expiration of 40 days after the Effective Date are required to deliver to the purchaser of such securities a copy of this Disclosure Statement (and supplements hereto, if any, if ordered by the Bankruptcy Court) at or before the time of delivery of such securities to such purchaser.

2. Registration Rights.

Attached as Exhibit C to the Merger Agreement is the Registration Rights Agreement that Arch will execute with the Standby Purchasers. Section 4.9 of the Plan provides that each Person (other than the Standby Purchasers) that, as a result of the transactions contemplated by the Plan, becomes the beneficial owner (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934) of at least 10% of the outstanding Arch Capital Shares, will be entitled to become a party to a separate Registration Rights Agreement, substantially in the form attached to the Plan as Exhibit A.

THE DEBTORS DO NOT PRESENTLY INTEND TO SUBMIT ANY NO-ACTION OR INTERPRETATIVE REQUESTS TO THE SEC WITH RESPECT TO ANY SECURITIES LAWS MATTERS.

J. Certain Terms of Reorganization Securities Issued Under Plan

The following is a summary only, and is subject in all respects to the terms of the Plan and the documents executed in accordance with the Merger Agreement, which documents include the Buyer Warrant Agreement, the Registration Rights Agreement and Schedule III attached to the Merger Agreement entitled "Terms of Rights". The Plan, the Merger Agreement and the actual filed documents may differ in non-material respects from the following. The discussion contained in this Section and elsewhere in this Disclosure Statement is intended only to be a description of the terms of the Arch Common Shares, Arch Class B Common Shares, Rights and Arch Warrants to be issued under or in connection with the Plan, and the general manner in which such securities will be issued, and is not an offer to sell or the solicitation of an offer to buy any such securities (other than the Arch Plan Shares), and no such offer to sell or solicitation of an offer to buy any such securities will be deemed to be made by this Disclosure Statement or the Plan.

1. General Provisions of the Arch Common Shares.

Section 4.5(c) of the Plan provides that on and as of the Effective Date, Arch will issue the Arch Common Shares, par value \$.01 per share, to be distributed to the holders of Allowed Class 6 Claims, to all persons that exercised Rights and, if applicable, to the Standby Purchasers. Holders of Arch Common Shares are entitled to one vote per share, to receive dividends when and if declared by the Arch Board and, subject to any participating or similar rights of any series of Arch Preferred Stock at the time outstanding, to share ratably in the assets of Arch legally available for distribution to its stockholders in the event of liquidation. Holders of Arch Common Shares will have no preemptive, subscription, redemption or conversion rights. All Arch Common Shares issued in connection with the Merger will be fully paid and nonassessable. The holders of Arch Common Shares do not have cumulative rights.

2. General Provisions of the Arch Class B Common Shares.

Section 4.5 of the Plan provides on and as of the Effective Date, to the extent necessary under Section 4.1(A)(2) of the Plan and in lieu of Arch Common Shares, Arch Class B Common Shares, par value \$.01 per share, will be distributed to certain holders of Allowed Class 6 Claims, Persons that exercised Rights and the Standby Purchasers. The Arch Class B Common Shares are not entitled to vote in the election of directors and have voting rights equal to 1% of the voting rights of Arch Common Shares on all other matters. Upon transfer of the Arch Class B Common Shares from the Standby Purchasers to any other person, the shares will convert automatically into Arch Common Shares. The terms of the Class B Common Shares are specified in the Arch Charter Amendment attached as Exhibit F to the Merger Agreement.

3. General Provisions of the Rights.

As soon as practicable after the later to occur of approval by the Bankruptcy Court of the Disclosure Statement and the effectiveness of the Registration Statement relating to the Rights (the "Rights Offering Commencement Date"), Arch will commence the Rights Offering by mailing to holders of Allowed Class 6 Claims as of the Rights Offering Initial Record Date certificates representing the Rights and instructions for the exercise thereof.

The Rights will be certificated, transferable rights issued by Arch for the purchase of (a) an aggregate number of Arch Capital Shares equal to approximately [34.5%-52.4%]¹⁸ of the issued and outstanding Arch Capital Shares on the date the "Buyer Market Price" is determined in accordance with Schedule II to the Merger Agreement, computed on a Diluted Basis after giving effect to the Plan as if the Effective Date had occurred on such date and

¹⁸ Such percentage will be fixed prior to soliciting votes on the Plan based on the pricing mechanism set forth in Schedule II to the Merger Agreement.

assuming 21,067,110 Arch Common Shares are issued and outstanding immediately prior thereto (such number of Arch Capital Shares being herein called the "Rights Shares"), and (ii) Arch Warrants entitling the holders thereof to purchase, in the aggregate, a number of Arch Common Shares equal to 2.50% of the issued and outstanding Arch Capital Shares, computed on a Fully Diluted Basis on the date the "Buyer Market Price" is determined in accordance with Schedule II to the Merger Agreement, computed on a Fully Diluted Basis after giving effect to the Plan as if the Effective Date had occurred on such date and assuming 21,067,110 Arch Common Shares are issued and outstanding immediately prior thereto, which Rights shall be issued to certain holders of Allowed Class 6 Claims pursuant to the Rights Offering, and which Rights shall have the terms set forth in Schedule III to the Merger Agreement. Each Right will be exercisable for one Unit. Each Right will entitle the holder thereof to purchase from Arch one Arch Common Share and 0. ___ of an Arch Warrant,¹⁹ subject to the terms and conditions of such Right, for a purchase price per share equal to the Rights Exercise Price.

The Rights Exercise Price will be set based on the pricing mechanism set forth in Schedule II to the Merger Agreement (the "Pricing Mechanism"). The Pricing Mechanism provides for the closing trading price of the Arch Common Shares to be monitored for the 20 trading days immediately prior to September 22, 1998. The closing price of the Arch Common Shares for eight of such days will be selected at random, the two highest and lowest prices will be discarded and the prices for the remaining four days will be averaged (the "Pricing Mechanism Price"). The Rights Exercise Price will be set at 80% of the Pricing Mechanism Price, provided that in no event will the Rights Exercise Price be less than \$5.00 or more than \$8.50. The Rights Offering Expiration Date will be a date not less than 25 days after the Confirmation Date, and Rights can be exercised at any time until such date. The Confirmation Date will not occur until at least December 1998 and possibly later. Thus, the actual trading price of the Arch Common Shares on the Rights Offering Expiration Date and during the pendency of the Rights Offering may be either higher or lower than the Rights Exercise Price. ACCORDINGLY, THERE CAN BE NO ASSURANCE THAT THE RIGHTS EXERCISE PRICE WILL BE BELOW THE MARKET PRICE OF THE ARCH COMMON SHARES AT ANY TIME DURING THE RIGHTS OFFERING.

Because not all Class 6 Claims will be Allowed Claims as of the Rights Offering Initial Record Date, Arch will place into a reserve a number of Rights equal to the product of the total number of Rights multiplied by a fraction, (i) the numerator of which is the sum of the estimated aggregate amount of (x) Disputed Class 6 Claims and (y) Claims arising from the rejection of executory contracts and unexpired leases pursuant to Section 3.1 of the Plan that are anticipated to become Allowed Claims, such estimate to be mutually agreed upon by the Debtors, the Committee and Arch, in good faith, or determined by the Bankruptcy Court if no such agreement can be reached, and (ii) the denominator of which is the sum of (x) Disputed Class 6 Claims, (y) Claims arising from the rejection of executory contracts and unexpired leases pursuant

¹⁹ Such percentage will be fixed prior to soliciting votes on the Plan based on the pricing mechanism set forth in Schedule II to the Merger Agreement.